

LOAN ADMINISTRATION AND PROPERTY MANAGEMENT TRANSITION

1. PURPOSE: This circular provides guidance on the revised procedures for title document submissions due to the transition of VA's Property Management activity to a private contractor, Ocwen Federal Bank FSB.

2. CONVEYANCE OF PROPERTIES TO VA: When VA specifies an amount for credit to the loan account in connection with a liquidation sale, the holder then has the option to convey the property to VA if the property is acquired at the sale. VA instructions giving the specified amount are accompanied by specific instructions on the documents required for VA to determine that title to a property is satisfactory. Some VA offices may not mail or fax the instructions, but publish them on their web sites to reduce the paperwork transmitted. The instructions also give the address of the VA office to which those documents must be sent and the timeframe for delivery of the documents. The VA office receiving the documents forwards the complete title document package to the appropriate VA Regional Counsel's office for review.

3. TRANSITION TO OCWEN. VA will be conducting a staggered, two part transfer of acquired properties to Ocwen over the next few months.

a. First, all properties under the jurisdiction of a particular VA Regional Loan Center (RLC) will be transferred to Ocwen at the same time, although not all RLCs will be transferring properties at the same time. Dates for transfer are to be found in paragraph 6. Each RLC will provide Ocwen with information on the status of title documents for all properties at the time of transfer. It is important that loan holders or servicers do not send title documents to VA if the documents will not be received at least two business days prior to the scheduled dates for transition to Ocwen. This will allow RLCs time to properly account for documents and provide accurate information to Ocwen.

b. Second, all properties for which VA receives VA Form 26-8903, Notice of Election to Convey, after December 9, 2003, will be immediately transferred to Ocwen for management. While most of these cases will soon fall under the RLC transfer timetable shown in paragraph 6, if a title package is ready for one of these cases prior to the date all other properties are transferred to Ocwen, the package should still go to Ocwen.

4. FUTURE TRANSMISSION OF TITLE DOCUMENTS: Once an RLC has transferred its acquired properties to Ocwen, all future document transmittals will go directly to Ocwen at VA REO/Title Review, Ocwen Federal Bank FSB, 12650 Ingenuity Drive, Orlando, FL 32826. Documents must be provided no later than 60 days after the liquidation sale. For most of the country this has been the timeframe for many years, but it may now be shorter in a few jurisdictions. Holders/servicers should follow procedures

similar to those used in the past if they expect to be unable to provide documents within 60 days (i.e., well in advance of the expiration of the 60 days, holders/servicers must request written approval from Ocwen for an extension). Ocwen has authority to grant up to an additional 30 days for submission.

5. **RECONVEYANCES**: VA presently pays for properties at the time they are conveyed, and then waits for acceptable title documents to be provided. If a holder or servicer is unable to provide acceptable title evidence timely, then VA will reconvey the property and demand reimbursement of the amount paid for the property and all expenses incurred by VA (Ocwen) while the property was in VA custody. This policy will continue with little variation. If title documents are not provided timely to Ocwen, or if VA Regional Counsel determines that title is not acceptable, Ocwen will notify VA's Property Management Oversight Unit (PMOU) in Nashville of the recommended reconveyance, with a copy of the notice to the holder/servicer. If the PMOU concurs with a recommended reconveyance, then Ocwen will obtain a property inspection, prepare a quit claim deed returning the property to the holder, submit the quit claim deed for recording, and write the holder to advise of the reconveyance and the amount due VA. The RLC will prepare and present a Bill of Collection (BOC) for the total of the price VA paid for the property and VA's expenses while the property was in custody, as well as claim adjustments if already paid by VA. If a BOC is not paid timely, VA will offset future payments due the holder/servicer for claims or acquisitions to recover the BOC.

6. **TRANSITION SCHEDULE**: The following chart shows each RLC, the States under its jurisdiction, and the scheduled transition date to Ocwen.

<u>RLC</u>	<u>States</u>	<u>Transition Date</u>
St. Paul	IA, IL, KS, MN, MO, NE, ND, SD, WI	12/8/2003
Denver Roanoke	AK, CO, ID, MT, NM, OR, UT, WA, WY DC, KY, MD, VA, WV	12/15/2003
Cleveland Phoenix	DE, IN, MI, NJ, OH, PA AZ, CA, HI, NV	12/22/2003
Houston	AR, LA, OK, TX	12/29/03
Manchester St. Petersburg	CT, MA, ME, NH, NY, RI, VT AL, FL, MS, PR	1/5/2004
Atlanta	GA, NC, SC, TN	1/12/04

7. **SUMMARY**: Title documents must continue to be sent timely to the appropriate VA office, unless the documents will not be received at least two business days prior to the transition date listed in paragraph 6, or if VA receives the VA Form 26-8903 after December 9, 2003. After those dates, documents must be sent directly to Ocwen, who will monitor for prompt receipt, and refer to VA Regional Counsel for review. Holders/servicers will receive a copy of any notice from Ocwen to VA's PMOU that it intends to reconvey, and when the property is reconveyed, the RLC will demand reimbursement for VA's acquisition and management costs. Any bill not paid timely will result in offset of future claim and/or acquisition payments.

8. STATION RELEASES: Field stations with Loan Guaranty servicing activities (Regional Loan Centers, Honolulu, and San Juan) will reproduce paragraphs 1 through 7 of this circular for immediate release to program participants in their jurisdiction, including holders, servicers, foreclosure attorneys, and other interested parties. Copies of these releases need not be submitted to Central Office.

9. ADDITIONAL STATION ACTIONS: The local instructions accompanying specified amount guidance must be modified as soon as possible to reflect the new procedures on title documents. The instructions must advise holders/servicers that title documents should continue to be sent to the same address, unless they will likely not be received by VA at least two business days prior to the transition date listed above, or if VA Form 26-8903 was received by VA after December 9, 2003. The instructions must include the transition date for the State and direct that documents sent with expected receipt dates after transition must go to Ocwen. The address for Ocwen provided in paragraph 4 of this circular must also be included in the revised instructions. If a station does not routinely provide instructions with each specified amount letter because it has notified holders/servicers that instructions are located on its web site, then it must advise program participants of the change in procedures. This will be done by including an additional statement about the location of the instructions in the release required by paragraph 8. All stations will also post a notice on their web sites advising of the changes described in this circular.

10. TRANSITION COOPERATION: As VA enters this transition period, it is possible that some holders, servicers, and foreclosure attorneys may initially provide title packages to a VA office after its transition date. It would not be in the best interests of the program to simply return those packages to the senders. Instead, a station must contact the sender to advise of the new procedures (e.g., by calling the sender, or faxing a copy of the local release). The notes section in the Loan Service and Claims (LS&C) system should be documented with the date the package was received, a detailed summary of the package contents, the identity of the sender, and the actions taken to notify the sender of the new procedures. Also, an e-mail must be sent to advise the PMOU of receipt of the package. The e-mail should be sent to nash.rpt@vba.va.gov and should provide the loan number and a detailed summary of the package contents. Packages may then be held and transmitted to Ocwen once a week via a controlled (UPS, FedEx). shipment.

11. TEMPORARY NOTICE TO PMOU: In order to help the PMOU ensure that the mechanism for notifying Ocwen of new property assignments is operating properly, RLCs are asked to forward copies of each VA Form 26-8903 received from the date new properties are assigned to Ocwen (which will be December 8 for St. Paul and December 10 for all other RLCs) through December 16, 2003. If the PMOU confirms that transfers are occurring earlier, e-mail notice may be given to discontinue this procedure before the 16th. Similarly, if delays occur, the procedure may be extended via e-mail notice. Notices to the PMOU may be faxed to (215) 713-9481. If RLCs receive notices

electronically, they may forward the notice by e-mail to the PMOU at the same e-mail address noted in paragraph 10.

12. BOCs AND DOCUMENTATION IN LS&C: When properties are reconveyed due to missing documents or unsatisfactory title, the PMOU will notify the RLC of jurisdiction so that the BOC process may be initiated. The RLC must be involved so that the payment can be reversed in LS&C, and detailed notes entered as to the reason for reconveyance. If a claim has already been paid and is voidable in whole or part as a result of the reconveyance, an appropriate amount will be included in the BOC. As the new Centralized Property Tracking System (CPTS) is implemented, and its financial portion is developed, Central Office will continue to explore the possibility of developing a link from CPTS to LS&C to reflect reconveyance and reversal of a property acquisition payment. Such a link would require notice in the appropriate workbasket to review the case for possible claim adjustment and additional BOC. Until such a procedure is available, however, it will be necessary to continue to directly involve RLCs in the BOC process for reconveyances.

13. CONTACTS: Any Loan Administration questions about this circular may be directed by e-mail or telephone to Carl Wasson at (202) 273-7345, and Property Management questions to Hilda Pena at (202) 273-6457.

14. RESCISSION: This circular is rescinded January 1, 2005.

By Direction of the Under Secretary for Benefits

Keith Pedigo, Director
Loan Guaranty Service

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